

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION

In the matter of:)
)
RAYMOND B. FARMER and DIANE P.)
FARMER,) Case No. 10-40269
)
Debtors.)

JOSHUA B. FARMER and ANDREA)
G. FARMER,) Case No. 10-40270
)
Debtors.)

Charlotte, NC
May 12, 2010, 9:43 a.m.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE GEORGE R. HODGES
UNITED STATES BANKRUPTCY JUDGE

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1 THE COURT: In the Farmer matters, why don't we just
2 start with Ms. Simpson and go across the room that way.

3 MS. SIMPSON: Linda Simpson, Bankruptcy Administrator.

4 MR. HOUSTON: Good morning, Your Honor. Andy Houston
5 and Richard Wright on behalf of the debtors, Raymond and Diane
6 Farmer, Josh and Andrea Farmer.

7 MR. PEARCE: Your Honor, Brad Pearce on behalf of
8 Inland Mortgage Capital Corporation.

9 MR. ESSER: Your Honor, Will Esser on behalf of
10 Palmetto Bank. And appearing with me today, I would like to
11 introduce to the court my colleague, Katie Trotter, who was a
12 clerk for Judge Leonard and has come back to us from a stint in
13 New York.

14 THE COURT: Good.

15 MS. CRABTREE: Your Honor, Hillary Crabtree,
16 representing South Carolina Electric and Gas and Public Service
17 of North Carolina, Inc.

18 MR. PULLIAM: Your Honor, Jim Pulliam, appearing on
19 behalf of 1230 Overbrook Drive Holdings, LLC, CBA-Mezzanine
20 Capital Finance, LLC, US Bank in its capacity as trustee for
21 registered holders of MLCFC and US Bank in its capacity as
22 trustee for Commercial Mortgage Trust 2007-C5.

23 MS. WHITE: Your Honor, Heather White appearing on
24 behalf of Easlan Property Management Group.

25 MR. SPENCER: Your Honor, Louis Spencer on behalf of

1 First National Bank of Charlotte.

2 THE COURT: Okay. All right. I guess we have got a
3 couple of things on. Does anybody have any ideas of what we
4 ought to do first?

5 MR. ESSER: Well, Your Honor, I think that procedurally
6 we have a motion from Palmetto Bank to determine the applicable
7 law which will apply in this case. I think that's in
8 conjunction with the court's *sua sponte* putting this on with
9 regard to the single-asset real estate rules.

10 And, Your Honor, I think maybe to start with is giving
11 a summary of where we are in this case. I don't believe that
12 there are any facts which are in dispute before the court
13 today.

14 The debtor, Mr. Joshua Farmer, has twice now testified
15 both here in the court, as well as in his 2004 examination,
16 regarding these prepetition transfers which occurred. The
17 court has heard about that extensively. It is undisputed that
18 there were - the reasons why it was done. Mr. Farmer has not
19 tried to hide those reasons. He has been fairly forthright
20 about the fact that he, you know, met with Max Gardner and Tom
21 Moon prior to filing this bankruptcy and came up with this
22 strategy for two reasons. One, to avoid having to file
23 multiple separate corporate actions and the second being to try
24 to avoid the absolute priority rule. Twice under oath Mr.
25 Farmer has testified that those are the only two reasons for

1 having done these transfers.

2 I think it is also clear, Your Honor, that Mr. Farmer
3 has testified that there was no consideration given. The bills
4 of sale and the quitclaim deeds recite that there was, I think,
5 ten dollars of consideration and assumption of debt. Mr.
6 Farmer testified in his 2004 examination that the ten dollars
7 was just stated in the documents but no ten dollars ever
8 transferred hands. So that leaves us with this assumption of
9 debt.

10 With regard to all of the secured debt, Your Honor,
11 that was already guaranteed by Mr. Farmer and Raymond Farmer.
12 So there was no benefit given to the various LLCs and, in fact,
13 it is uncontroverted that the various LLCs did not receive any
14 kind of releases and, to this day, remain liable on all of
15 their various debts which were allegedly assumed.

16 Your Honor, with regard to the issue that Palmetto has
17 raised in its brief with regard to the fact that all of these
18 transfers were void as fraudulent transfers, I don't want to
19 overstate our position on that. We think that ultimately the
20 facts as laid out are incontrovertible and they clearly
21 establish that all of those transfers were void as a matter of
22 South Carolina state law.

23 That being said, when I filed the motion for Palmetto,
24 I simply had stated in the motion itself that Palmetto was
25 reserving its right with regard to that issue. As I went

1 forward on briefing, however, it became clear that the white
2 elephant in the room which needed to be addressed was are these
3 properties property of the estate or are these properties not
4 property of the estate, but that clearly was the overriding
5 issue that needed to be addressed by the court.

6 Now, Palmetto is happy to admit or, excuse me, will
7 readily admit that there are some cases which hold that the
8 question of what is or is not property of the estate, that that
9 issue is properly raised in an adversary proceeding.

10 Now, that being said, Your Honor, Palmetto believes
11 that in this circumstance there is no need for an adversary
12 proceeding. Palmetto doesn't believe it needs to take any
13 discovery, the debtor doesn't need to take any discovery. We
14 are willing to move for summary judgment on this issue with
15 regard to solely based upon the testimony which has been
16 presented already.

17 Now, if the debtors can articulate an advantage or a
18 reason or some benefit that they would obtain through having
19 this issue obtained in an adversary proceeding, some benefit
20 other than solely delay, then I would like to hear what that
21 is. But ultimately, Your Honor, if you believe an adversary
22 proceeding is necessary on the fraudulent transfer issue,
23 Palmetto will immediately file one and we would simply ask that
24 the court, under Rule 9006(c), require the debtors to
25 expeditiously answer the complaint, say no more than fourteen

1 days to respond, because there really aren't any factual issues
2 to be addressed, and then immediately allow Palmetto to go
3 ahead and have the matter heard on summary judgment. That
4 would put it into the kind of procedural context which the
5 debtors apparently would like on the fraudulent transfer issue.

6 With regard to the other two issues which are before
7 the court, with regard to the single asset real estate issue,
8 Your Honor, which you raised *sua sponte*, it's a little bit
9 problematic or difficult to try to fit what is somewhat of a
10 square peg into a round hole. That is, to take a rule which
11 would apply to a corporate debtor and try to apply it to an
12 individual debtor. We acknowledge that. That's a situation
13 which the debtors themselves have created and which they call,
14 therefore, unorthodox.

15 Your Honor, I think that the court can easily address
16 that issue, however, by simply entering an order which says
17 unless the debtors start to make the required payments to the
18 lenders, or have filed a plan of reorganization within ninety
19 days, then the court will find the lenders do not have adequate
20 protection and therefore there is cause for relief from stay
21 under 362(d)(1).

22 I think using that kind of a road map avoids any of
23 the problems of trying to apply, quote, single-asset real
24 estate rules in an individual case but really applies justice
25 and fairness because that is what exactly would apply but for

1 the debtor's inappropriate stratagem to avoid the Bankruptcy
2 Code.

3 The same thing, I think, Your Honor, applies with
4 regard to the absolute priority rule. If these cases had been
5 filed as corporate cases, which they should have been, then
6 there is no question but that the absolute priority rule would
7 apply. I think that the way Your Honor could address that
8 issue today is to simply say, well, if the debtor tries to keep
9 equity in the properties without paying creditors less than a
10 hundred percent on the dollar, that the court would find that
11 any such plan fails to meet the requirements of 1129(a)(3) for
12 good faith and therefore there is no problem about applying -
13 you know, that clearly applies whether the case is an
14 individual or a corporate case, but it also essentially
15 achieves the same substance, which is that the debtors should
16 not be allowed to come up with a clever strategy to try to
17 avoid what Congress has said is the law with regard to
18 bankruptcy debtors.

19 So for those reasons, Your Honor, we would ask that
20 both the single-asset real estate and absolute priority rules
21 would apply in the manner in which Palmetto, as I have just
22 stated, and that with regard to the fraudulent transfer issue,
23 if the court doesn't rule on it today, that we set up, the
24 court allow an adversary proceeding with very shortened time
25 lines so that we can get this matter to summary judgment very

1 quickly.

2 THE COURT: Okay. Anybody else?

3 MR. HOUSTON: Your Honor, Andy Houston on behalf of the
4 debtor, and I think what Your Honor asked is if anybody had any
5 ideas as to how to deal with the multiple motions that are on,
6 and I guess we are addressing the single-asset argument right
7 now.

8 Starting off, Your Honor, I would just like to sort of
9 re-focus the court as to what was properly before it today.
10 Starting with at the hearing on the 12th or the 28th, Your Honor
11 requested that parties either submit some kind of argument as
12 to whether the single-asset rule should apply or whether Your
13 Honor should do it on his own motion. After some discussion,
14 Your Honor agreed that the parties could brief and argue the
15 issue, and that is really the only issue that I believe is
16 properly before the court.

17 I acknowledge that Palmetto Bank filed a motion
18 slightly expanding the scope of what Your Honor had requested
19 shortly after the hearing, and then I acknowledged that
20 Palmetto Bank filed a brief five days ago drastically expanding
21 the scope of what Your Honor had requested a hearing on,
22 including containing arguments regarding whether these
23 transfers were void as fraudulent transfers under South
24 Carolina law, as well as certain other arguments. That they
25 should be granted relief from stay, I believe was one of them,

1 as well as dismissing the case.

2 The issues we are prepared to address today are
3 single-asset rules and specifically 362(d)(3) which, as Mr.
4 Esser mentioned, is essentially a ninety-day rule and that the
5 debtors have to commence making interest payments at the non-
6 default contract rate on the value of the lender's collateral
7 or the debtor has to file a plan within the ninety days.

8 As to whether it should apply in this case, the
9 debtors submit that 362(d)(3) does not actually fit in this
10 case, and I believe Mr. Esser made a very good analogy that
11 it's like sticking a square peg in a round hole. The
12 definition is set forth in section 101, and I think we all
13 agree that the essential elements to show whether a case is a
14 single-asset case is whether the debtor owns real property
15 constituting one property or project; two, whether all of the
16 debtor's or substantially all of the debtor's gross income
17 comes from the operation of that project; and, three, whether
18 there is any other substantial business being conducted on that
19 one property or project.

20 I think it is pretty clear that the case doesn't
21 technically fit a single-asset case. The debtors are
22 individual debtors. They own multiple properties currently.
23 Substantially all of their income is not derived from the
24 operation of these properties. In fact, both Josh and Andrea
25 Farmer are practicing attorneys. Andrea full-time and Josh

1 less so. Ray Farmer owns a construction business, and I
2 believe his wife is a part-time teacher.

3 In terms of whether substantial business is operated
4 other than just the operation of the real estate and actions
5 incidental thereto, this really is an enterprise. I mean,
6 there are managers portfolio wide, a gentleman named Andy Kidd.
7 There are a number of other employees who provide services
8 portfolio wide as opposed to this just being the situation
9 where you have got the debtor and one piece of real estate or
10 one project.

11 In addition, I would submit that I don't believe that
12 there is any harm to the lenders in not treating this case as
13 a single-asset case. And, by that, I mean the lenders on one
14 hand, if these cases were filed individually, would have had
15 secured claims to the value of their collateral and, if they
16 are filed in individual cases, probably some kind of nominal
17 dividend would be paid on their unsecured claims. And I
18 believe, in this case, they are actually going to be benefitted
19 by the fact that there is this operating enterprise which has
20 a wider base of assets that they would be allowed to increase
21 the dividend on the unsecured portions of their claim, which is
22 probably going to be the large chunk of unsecured claims in
23 this case.

24 Your Honor, I understand this is certainly an
25 unorthodox case. We have acknowledged as much before. Mr.

1 Farmer testified to as much. What do you do? The answer is,
2 if Your Honor is inclined to apply the single-asset rules, we
3 believe that, if you are going to apply them, that we would
4 request that you apply them to those properties which would
5 have been single-asset cases absent the prepetition transfers.

6 In our motion and the brief, we filed a chart and I
7 believe six of the properties probably would have been single-
8 asset cases. I think it's three properties that were pledged
9 to Palmetto Bank; one property was pledged to Inland; one
10 that's pledged to - it's Timber Creek. I believe it's Key
11 Bank. And then the Georgetown property. I think it is those
12 six. The other properties, I do not believe to be single-asset
13 cases.

14 And if Your Honor is inclined to apply the rules to
15 those, we would also request that Your Honor enter some kind of
16 limiting order preventing those lenders from not sharing in
17 essentially the other pool of assets. For instance, any of
18 these unencumbered assets which could potentially increase the
19 dividend that they would have received. So we would request
20 that they do not receive anything more than they would have
21 received if this case had been filed as a single-asset case
22 with respect to their properties.

23 The second issue is the absolute priority rule and,
24 Your Honor, I have basically two thoughts on this. The first
25 being that I am not sure that the court needs to decide whether

1 the absolute priority rule applies now. It seems to me that it
2 is more of a confirmation fight than anything else. And if
3 Your Honor is inclined to hear argument on that today, then I
4 would submit the absolute priority rule does not apply in
5 individual cases.

6 And in coming to that determination, you have to look
7 at the purpose and history behind the absolute priority rule,
8 and I think the general purpose behind the absolute priority
9 rule is to prevent equity holders in corporate cases from
10 obtaining their interest, obtaining value when the unsecured
11 creditors are not paid in full.

12 Historically speaking, it is something that has not
13 worked well in individual cases, and my understanding is that,
14 pre 2005, the absolute priority rule applied in individual
15 Chapter 11 cases and it was in many regards unworkable and, in
16 response to those problems, Congress enacted BAPCPA in 2005,
17 which essentially changed the absolute priority rule and it did
18 not apply to individual cases, and a number of cases
19 interpreting that - in fact, I am not aware of any that have
20 not interpreted it as stating that the absolute priority rule
21 does not apply in individual cases.

22 You know, I think the reasoning behind that is that it
23 is just something that is very antithetical to the nature of an
24 individual case in that there are no shareholders in an
25 individual case. And I think Congress responded to that by

1 enacting section 1129(a) (15) talking about projected disposable
2 income in an attempt to make individual Chapter 11 cases look
3 more like Chapter 13 cases.

4 And I think this is the point to be made, is that
5 Palmetto has consistently harped on the fact that Mr. Farmer
6 considered the absolute priority rule prior to this what we
7 have referred to as the roll-up prepetition. And while that is
8 certainly their opinion, it seems to ignore fact and be based
9 on the erroneous assumption that Congress intended that
10 individual debtors get some kind of get out of jail free card
11 by filing an individual eleven.

12 You know, frankly it doesn't seem to work that the
13 absolute priority rule would apply in an individual case and,
14 in lieu of that, Congress has allowed debtors, when an
15 unsecured creditor objects, it allows debtors to - requires
16 debtors to commit all of their projected disposable income to
17 fund the plan.

18 And I should also point out that, to the extent that
19 there are any of these properties, and probably not the
20 apartment complexes so much, but any of these other properties
21 that have equity, the debtors would have to buy back that
22 equity essentially to tender to the unsecured creditors to
23 satisfy the best interest test. So I am not sure that the
24 lenders would be any worse off with this treatment.

25 Moving on, Your Honor, to the extent that the court

1 wants to entertain the fraudulent transfer arguments, I think
2 there are really a number of reasons, and clearly there are
3 factual disputes, and I could just gloss over them, whether
4 there was consideration paid or not, you know, whether these
5 were property of the estate. I don't believe that Mr. Esser
6 has made any kind of showing for some kind of expedited
7 adversary proceeding. I don't believe these issues are
8 properly before the court.

9 And if you are looking for a reason why this should
10 actually be determined in an adversary proceeding, if that's
11 where we need to go, is I am not sure these were fraudulent
12 transfers under South Carolina law. And if I can approach the
13 bench, Your Honor?

14 THE COURT: Yes.

15 MR. HOUSTON: Along those lines, Your Honor, I would
16 submit to you the case of *Leasing Enterprises v. Goodman*, and
17 if I could just take a brief minute about this case. In the
18 *Leasing Enterprises* case, Leasing Enterprises leased equipment
19 to Mr. Goodman. Mr. Goodman and Mrs. Goodman were guarantors
20 of that obligation. Mr. Goodman filed for bankruptcy - do you
21 want me to -

22 THE COURT: Yeah, let me just ask you all to stand down
23 for a minute.

24 (Recess from 10:02 a.m. until 10:16 a.m. while the
25 court heard matters in unrelated cases.)

1 THE COURT: Okay. Back to the Farmer matter. I guess
2 I should say that I don't think the fraudulent transfer issue
3 is properly before us today. And on the absolute priority
4 rule, I think that that is best left to dealing with that in
5 conjunction with a plan or confirmation of a plan.

6 I have confirmed a plan that violated the absolute
7 priority rule but I got reversed for that. I only did that
8 because Mr. Henson dared me to, but I will try not to do that
9 again. But I think that is an issue that should be dealt with
10 at confirmation rather than give what would essentially be an
11 advisory opinion at this point.

12 It is a serious matter and, as I say, we can't confirm
13 a plan that does violate the actual priority rule. So I will
14 let you all deal with that.

15 So I think the main thing we need to consider today is
16 application of the single-asset rules. I cut you off with the
17 phone call. Is there anything -

18 MR. HOUSTON: Your Honor, in light of your comments, I
19 am inclined not to actually say any more on this issue.

20 THE COURT: Okay. Anybody else? Mr. Pearce, you were
21 standing up a minute ago.

22 MR. PEARCE: Your Honor, I will take exception. I
23 don't think the single-asset real estate rule of 362(d)(3) is
24 difficult to apply in this case. It applies to the property
25 and to the related secured debt, and it certainly gives the

1 debtors the opportunity to propose a plan within ninety days in
2 lieu of making payments.

3 The one issue is with respect to the payment option.
4 If there is not a plan that has a reasonable chance of being
5 confirmed filed within ninety days, then I would just propose,
6 as opposed to running back to court or running back-and-forth
7 with multiple fights, that the payments be established at a
8 minimum at the contract, non-default rate, at the amount listed
9 by the debtors in the schedules. And of course every creditor
10 would be free to come in and challenge the valuation of its
11 interest in the property securing its loan.

12 Mr. Houston suggested a limitation which I believe
13 related to payments under the plan. I believe that's
14 premature. Also I would like to point out that, at least with
15 respect to the debt owed to Inland, we have complete payment
16 guaranties from Joshua and Raymond Farmer and limited payment
17 guaranties from Diane and Andrea Farmer. So that kind of
18 limitation would be circumventing any contrary to the pre-
19 bankruptcy contractual obligations of the debtors.

20 I really don't think it is that difficult to apply in
21 this case, and I think equity does say that it should apply,
22 notwithstanding the various fights we have had about whether
23 there is a fraudulent transfer, whether the matter is properly
24 before the court to find a fraudulent transfer. We did have
25 transfers of the assets from the LLCs immediately prior to

1 bankruptcy in violation, at least in my case, of covenants of
2 the LLCs and of agreements signed by the Farmers individually.
3 I don't think it is a big stretch for the court to exercise its
4 equitable jurisdiction in this case to apply the single-asset
5 real estate rules for those six properties and certainly to the
6 Groves Apartments.

7 THE COURT: Okay. Anybody else? Ms. Simpson.

8 MS. SIMPSON: Your Honor, I disagree a little bit on
9 the administrative end of it. I think, if you are going to
10 require one of these complexes to be a single-asset real estate
11 entity, then you split it out entirely as if it was a separate
12 entity. I think we split out the creditors of that entity. I
13 think we split out the assets, whatever they happen to be,
14 including potential tax attributes of those entities. I don't
15 know if the net operating loss carry forward, anything like
16 that, but I think you do split them out entirely.

17 So in that sense, there is a little more
18 administration to it if Your Honor decides to treat them as
19 such.

20 MR. ESSER: Your Honor, to echo what Ms. Simpson said,
21 I think that that would actually be somewhat of an ideal
22 solution if the court were to just treat these as all split
23 out. I mean, one of the things that hasn't really been
24 addressed as much is the fact that, if these are all treated
25 separately, the pool of claimants for the particular property

1 and therefore the pool of claimants who will vote on a plan
2 with regard to that property is much narrower. I mean, I think
3 the court could probably get a pretty good sense the very first
4 day we were in here. All of the lenders were over here arguing
5 with the exception of Mr. Henderson was over here. And guess
6 who their impaired class of creditors to cram down everybody
7 else is going to be? I mean, that became clear on the very
8 first day.

9 So if we go ahead and treat it the way that it should
10 have been treated, the way the creditors intended it to be
11 treated, the way it was set up until five days before the
12 bankruptcy plan, all of these would be treated separately.

13 Now, we don't want to insist that the debtors have to
14 file separate cases and bear the various administrative
15 expenses but, if the court were to rule that all of these
16 single assets would be put into separate buckets and the plan
17 is going to have to treat them with separate buckets, then I
18 think that that would be an appropriate resolution to dealing
19 with this.

20 If the court is not ready to do this, at least I think
21 the court could have the road map on proceeding forward of
22 simply finding, under 362(d)(1), that cause exists for relief
23 from stay if the debtor does not start making those payments or
24 file a plan within the ninety days.

25 THE COURT: Anybody else?

1 (No response.)

2 THE COURT: It is remarkably silent. Anything else,
3 Mr. Houston?

4 MR. HOUSTON: I don't, Your Honor.

5 THE COURT: All right. Well, I think I should apply
6 the single-asset rules to the six properties that would have
7 been single assets, and I think the issues is not whether the
8 case now qualifies as a single-asset case but the issue is
9 really what parts of it would have qualified as a single-asset
10 case before the transfers in, I think, April 1st.

11 So I will require that the single-asset rules apply as
12 to the six properties. Are you all in agreement as to what
13 those six properties are? Okay. Good. And we will provide
14 that all of the single-asset rules apply to them, and I think
15 that they should be separately administered. I don't think we
16 will need to file separate cases for them, but I think that, to
17 be fair and to otherwise avoid what would be an avoidance or an
18 abuse of the bankruptcy system, I think we have to apply the
19 rules as if those cases were filed separately.

20 So I will say today that that will apply as to the -
21 I guess the 362 parts, but I think we will also have to have
22 separate accountings and probably separate voting and the other
23 kind of things. We can deal with that as a final matter down
24 the road but, just to give you some idea of where it is going
25 to go, I think you are going to have to treat those things as

1 if they were separately filed.

2 You know, if you want to pursue, if Palmetto or
3 anybody else wants to pursue the fraudulent transfer issue, I
4 think we need to do that by adversary proceeding and we will
5 deal with that as it comes up.

6 I am not sure as a practical matter that - well, I
7 will let you all decide about that, but it would seem to me
8 that you could - the banks could pursue that and win that issue
9 and then just be faced with twelve new bankruptcy filings. So
10 I will let you all think about the practical aspects of this.
11 My intention is, though, is to try to administer the present
12 case, as long as we have the present case, to try to administer
13 it in such a way that it would be the same as if the cases had
14 been filed as the LLC cases. Okay. I may change my mind about
15 that but that is my current thinking.

16 Ms. Simpson.

17 MS. SIMPSON: As far as administration goes, then,
18 could we have the debtors file supplemental schedules and
19 statements for each of these six properties? Not necessarily
20 amended but supplemental showing both the assets, the
21 creditors, as well as the financial information contained in
22 the statement of financial affairs?

23 THE COURT: If you all can do that, then I think it
24 would probably be worthwhile to do it.

25 MR. PULLIAM: Your Honor, excuse me, I would think that

1 applies to all the LLCs, not just the six single-asset cases.
2 The LLCs with - for example, one of the LLCs owned two
3 projects. Each should be separate schedules and statement of
4 affairs for those, as well, because I think the general thought
5 process with respect to the single-asset cases applies across
6 the board, not just the single asset. I understand the single-
7 asset rules may only apply to the six, but -

8 THE COURT: Okay. Yes, sir.

9 MR. HOUSTON: Right, Your Honor, and I think, if you
10 are going to apply them, I think it needs to apply to the six
11 properties that would have been prepetition. I don't think
12 that was necessarily before the court.

13 THE COURT: No, we won't apply the single-asset rules
14 to the others but I think, in terms of laying out schedules, it
15 would probably be a good idea to have just an amended set of
16 schedules that shows what goes where with each entity.

17 MR. WRIGHT: But with regard to each preexisting SPE or
18 with regard to those six?

19 THE COURT: No, all of them.

20 MR. WRIGHT: All of them?

21 THE COURT: All of them. Okay.

22 MR. ESSER: Your Honor, I think that that gives us a
23 fairly good road map moving forward. The one issue which is
24 somewhat left hanging out there is the issue of avoidance
25 actions because, as a technical matter, if the various LLCs,

1 you know, transferred property in the ninety-day period or even
2 in the fraudulent transfer look-back period, as a technical
3 matter I am not sure that that's necessarily within the estate
4 because those LLCs haven't filed and, if down the road we
5 looked at it and one of these LLCs had done a big transfer,
6 then the party coming in would say, well, it's not a transfer
7 of property of the debtor, so that isn't the Farmers and
8 therefore we have got a complete defense. It seems to me, Your
9 Honor, there should be something structured to make sure that's
10 brought in.

11 MR. PEARCE: Your Honor, that's a plan issue, it seems
12 to me, and let's let the parties negotiate that.

13 THE COURT: Let me let you all think and talk about
14 that before I haul off and do something because I can't begin
15 to figure out what that might mean down the road as a practical
16 matter to you all but you all talk about that and see where you
17 come out with it, and we can deal with that sometime later.

18 MR. HOUSTON: I just have one housecleaning kind of
19 aspect. The 341 meeting is next Friday, and I am not sure that
20 that's even really possible for us to get schedules filed by
21 then. Is there any objections to us rescheduling that and then
22 having some kind of extension for us to get supplemental or
23 amended schedules filed?

24 MS. SIMPSON: Typically you don't reschedule because we
25 would have to re-notice everyone. We will go ahead and have it

1 and I have no objection, if creditors appear and they want to
2 ask questions, to ask what they want, and then we will continue
3 it over until schedules are filed.

4 THE COURT: Okay.

5 MR. HOUSTON: At which time you would schedule an
6 additional or supplemental 341 meeting?

7 MS. SIMPSON: We don't schedule one. We just at the
8 meeting we continue it to a certain date forward, and that
9 avoids the cost of re-noticing everybody.

10 MR. HOUSTON: I think that works. I think we probably
11 need at least two weeks to get all of this stuff filed if there
12 is no objection to that.

13 THE COURT: That's fine. No, that's fine. Okay. Does
14 that take care of us, then, for today?

15 (Transcription stopped at 10:29:44 a.m.)

C E R T I F I C A T E

I certify that the foregoing is a correct transcript
from the electronic sound recording of the proceedings in the
above-entitled matter.

/s/ Patricia Basham

Patricia Basham, Transcriber

Date: August 25, 2010